

Message Text

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PAGE 01 BUENOS 08007 092245Z

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ACTION EB-07

INFO OCT-01 ARA-06 EA-07 ISO-00 AGRE-00 PRS-01 COME-00

STR-04 CIAE-00 INR-07 NSAE-00 TRSE-00 /033 W

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R 092135Z DEC 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8164

INFO AMCONSUL/HONG KONG 61

USLO PEKING

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DEPARTMENT PASS USDA/FAS

E.O. 11652: N/A

TAGS: EAGR, AR, CH

SUBJECT: POSSIBLE WHEAT SALES TO PRC

1. PRESS REPORTS THAT TRADE MISSION LED BY UNDERSECRETARY OF AGRICULTURE HAS DEPARTED FOR THE PRC WITH THE OBJECTIVE OF SELLING GRAIN, PARTICULARLY WHEAT. THE PRESS ACCOUNTS WERE CAUTIOUS ABOUT THE ACTUAL POSSIBILITIES OF MAKING A FIRM CONTRACT WITH THE PRC POINTING OUT THAT THE PRC HAS HAD A GOOD CROP AND THAT THESE TYPES OF NEGOTIATIONS COULD REMAIN BEHIND CLOSED DOORS FOR A LONG PERIOD OF TIME.

2. THE OFFICE OF AGRICULTURAL ATTACHE HAS LEARNED THAT TWO REPRESENTATIVES OF THE ARGENTINE NATIONAL GRAIN BOARD TRAVELED TO JAPAN ABOUT TWO WEEKS AGO WITH THE OBJECTIVE OF OBTAINING VISAS THERE TO TRAVEL ON TO THE PRC, BUT THEY WERE APPARENTLY DENIED VISAS BY THE CHINESE EMBASSY IN TOKYO.

3. THERE WERE REPORTS SEVERAL MONTHS AGO THAT ONE OF THE INTERNATIONAL SHIPPERS OFFERED THE PRC ONE MILLION TONS OF WHEAT AT THE CANTON FAIR WITH OFFICIAL ARGENTINE BACKING, BUT RECEIVED NO REPLY.

4. COMMENT: ARGENTINA IS DESPERATE TO SELL WHEAT. THIS YEAR'S CROP WILL BE A RECORD OF AT LEAST 12 MILLION TONS, BUT
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PAGE 02 BUENOS 08007 092245Z

COMES AT A TIME OF FALLING INTERNATIONAL DEMAND. THE COUNTRY

LACKS STORAGE AND NEEDS TO MOVE LARGE QUANTITIES OF WHEAT QUICKLY TO PEN UP STORAGE FOR CORN AND GRAIN SORGHUM. AGAINST AN EXPORTABLE SURPLUS OF AROUND 8 MILLION TONS, FIRM EXPORT COMMITMENTS PROBABLY DO NOT EXCEED 2.2 TO 2.5 MILLION TONS. IT WOULD MAKE GOOD POLITICS FOR THE PRC TO PURCHASE FROM ARGENTINA AT THIS TIME OF DESPERATION, PLUS ARGENTINE WHEAT IS CHEAP - 80,000 TONS WERE SOLD YESTERDAY AT \$88.45 TO \$89.98 PER TON FOB. THERE IS ALSO A PRECEDENT. IN 1965 WHEN ARGENTINA HAD ITS PREVIOUS RECORD WHEAT CROP, THE PRC WAS THE LARGEST SINGLE BUYER. WOULD APPRECIATE REACTION FROM HONG KONG AND/OR PEKING ABOUT ARGENTINE POSSIBILITIES OF SELLING WHEAT TO THE PRC.
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